

III. HIGHLIGHTS FROM FY 1994 TO FY 2001

1. INTRODUCTION

This section discusses achievements of the Clinton-Gore Administration on a function-by-function basis. Other sections of this document discuss America's dramatic economic resurgence during the last eight years, the elimination of the budget deficit, and growing budget surpluses that have created an opportunity to extend the life of the Social Security and Medicare trust funds and offered the hope of paying down the debt with prudent budget policies. The past eight years have also seen remarkable achievements in areas such as education, health care, help to working families, crime fighting, science, the environment, national security, foreign affairs, and the efficient and effective management of the Federal Government.

SELECTED HIGHLIGHTS OF THE PAST EIGHT YEARS

Program Achievements

Education and Training: This Administration's dedication to improving educational and employment opportunities for all Americans is reflected in the nearly 80-percent increase in Federal funding for education and training programs since 1993 and in major initiatives to improve and expand those programs. The Administration restructured elementary and secondary education programs to focus on school-wide and school-system reforms based on challenging academic standards for all students, including initiatives to reduce class size, establish after-school programs, improve reading abilities, and renovate crumbling schools. The doors to college were opened to more students through increased Pell Grants and Work-Study opportunities, reduced student loan costs, new tax credits for postsecondary education, and new programs to help disadvantaged students prepare for and succeed in college. Workers received improved job training services thanks to the Workforce Investment Act, which called for a streamlined, customer-focused job training system in each community. Finally, the Administration established the Corporation for National and Com-

munity Service and created the AmeriCorps program to engage Americans of all ages in community-based service and to help students who serve to pay off their student loans.

Rewarding Work: Perhaps one of the greatest legacies this Administration will leave is the effort to "end welfare as we know it" with policies that expand supports for low-income working families. From rewarding States for moving welfare recipients into jobs and encouraging businesses to hire people from welfare rolls, to expanding the Earned Income Tax Credit and improving health coverage through Medicaid and the State Children's Health Insurance Program; and from proposing and signing the Family and Medical Leave Act to more than doubling funding for child care, the President has led the Nation in a holistic effort to reform welfare and support working families. By maintaining an historic economic recovery, this Administration's efforts led to falling welfare rolls, lower unemployment rates and most noteworthy, lower poverty rates. Through significant, targeted funding increases and effective policies, the Administration has demonstrated its commitment to improving the income security of low-income Americans.

Social Security: Since 1993, the Administration has proposed a series of legislative and management initiatives that have helped to prepare Social Security for the baby boom generation. President Clinton's 1998 challenge to "save Social Security first" made the continued solvency of the Social Security program a national priority and generated bipartisan agreement for substantial debt reduction over the next decade to prepare the Nation for the needs of the future. Following the Social Security Administration's (SSA's) transition to an independent agency in 1995, the Administration encouraged SSA to promote program improvements responsive to a changing population, enhance customer service, and emphasize public education efforts. In 1996, the Administration worked with the Congress to develop a dedicated funding source to enable SSA to improve the integrity of the disability

programs by eliminating a backlog of continuing disability reviews.

Medicare: Throughout the past eight years, this Administration has achieved the longest Medicare Trust Fund solvency in a quarter century. At the beginning of the Administration, Medicare was projected to become insolvent in 1999. Due to the Administration's efforts, the Medicare Trust Fund solvency has been extended by a total of 26 years. These actions included support of legislation, such as the Health Insurance Portability and Accountability Act of 1996 and the Balanced Budget Act (BBA) of 1997, as well as important administrative actions, such as expanded coverage of routine patient care costs related to clinical trials. The Administration's leadership has strengthened the Medicare Trust Fund and has laid a strong foundation for future Medicare reform.

Natural Resources and the Environment: The Administration achieved the cleanest environment in a generation amidst an historic economic expansion, despite serious environmental problems facing the Nation in 1993. Among the President's greatest accomplishments was winning legislation that will provide \$12 billion over six years in unprecedented, dedicated funding for the conservation of America's land and coastal resources. He also protected more land in the lower 48 States under the Antiquities Act than any other President. The Administration also more than doubled funding to combat global climate change through the Climate Change Technology Initiative, almost doubled funding to address the Nation's major remaining water quality problems through the Clean Water Action Plan, and developed critical rules to implement the Plan. In addition, the Administration cleaned up almost four times as many Superfund sites as in the previous 12 years, reduced wetlands loss by 80 percent, and fought back numerous anti-environmental legislative riders that would have traded hard-won environmental safeguards for short-term special-interest gains.

Science and Technology: In 1993, President Clinton took office committed to fostering progress and economic growth by expanding investment in civilian research and development (R&D). The President's economic strat-

egy relied upon the critical element of investing in people and proposed targeted investments to help the Nation compete in the global economy and improve our quality of life. While aggressively pursuing priority research areas, the Administration maintained a balanced portfolio of research across agencies and disciplines. The Administration's investments sustained and nurtured America's world-leading science and technology enterprise, through pursuit of specific agency missions and through stewardship of critical research fields and scientific facilities; strengthened and expanded access to high quality science, mathematics, and engineering education, and contributed to preparing the next generation of scientists and engineers; focused on activities that required a Federal presence to attain national goals, including national security, environmental quality, economic growth and prosperity, and human health and well being; and, promoted international cooperation in science and technology that strengthened the advance of science and achievement of national priorities. In keeping with the emphasis on civilian R&D, the Administration increased the share for civilian R&D investments, from 42 percent in 1993 to just over 50 percent in 2001. During this same period, total Federal funding for R&D increased from \$72.5 billion to \$90.2 billion, a 24-percent increase, while defense R&D funding received a more modest increase of seven percent, from \$42.2 billion to \$45.0 billion.

Administration of Justice: The Administration's criminal justice policies have helped push crime rates to their lowest levels in 25 years, including rates of youth violence and violence against women and minorities. The Community Oriented Policing initiative has funded over 100,000 additional community police officers to make our streets safer, and has provided local police departments with critical equipment. Increased attention to combating gun-related violence at the Federal, State, and local level reduced the number of violent crimes committed with guns between 1993 and 1998 by 35 percent. Federal law enforcement agencies have adapted to new threats, including the criminal misuse of new technologies. Our civil rights laws are being vigorously enforced by agencies that now receive the

funding they need to protect Americans from discrimination.

Economic Development and Housing Assistance: In a bipartisan effort to revitalize impoverished rural and inner-city areas, the Congress authorized and funded the Administration's New Markets initiative in December 2000. This initiative, administered by the Small Business Administration, will provide \$250 million in public and private capital for rural and urban small business investments, plus technical assistance and mentoring services for aspiring entrepreneurs. In addition, a 30-percent tax credit will spur investment in a wide range of businesses. The New Markets initiative complements the Administration's Empowerment Zones (EZs), established in 1994 to challenge communities with high unemployment and poverty rates to develop and implement innovative strategic plans for revitalization. Areas designated as EZs offer tax benefits for businesses, waivers from Federal regulations, and grants for job training and other services. The thirty-one urban and rural areas designated as EZs have created over 120,000 new jobs since 1993, and leveraged more than \$12 billion in additional public and private sector investment in community revitalization efforts. Nine new EZs were authorized for 2001, bringing the total to forty. The Administration's efforts to expand economic opportunity for low-income families also have included increasing the supply of portable housing vouchers by over 250,000 from 1993 through 2001. Housing vouchers help families improve their housing conditions and lower their rent payments, and they also help working families or families moving from welfare to work relocate to areas of greater economic opportunity or move closer to schools, child care, or other services.

Agriculture: The Administration strongly supported family farms, fighting to open foreign markets to U.S. commodities. The NAFTA, GATT, and China trade agreements secured by the Administration will increase farm income significantly for years to come. The Administration championed better risk management for farmers, and led the successful efforts in 1994 and 2000 to overhaul the Federal crop insurance program to provide higher coverage and better value for agricultural producers. Through significant increases

in the Department of Agriculture's conservation programs, the Administration demonstrated that farm programs can both improve the environment and boost farm income. In addition, the Government reformed the Nation's nearly century-old meat and poultry inspection system, to deploy food safety resources based on science and risk.

International Affairs: The Administration's international affairs budget policy has responded to the increased demands of globalization in the new post-Cold War world. The Administration implemented the Uruguay Round, NAFTA, and other major agreements to liberalize trade and financial markets, and aided in the construction of a new global financial infrastructure to support financial stability and promote economic growth. It helped spur recovery from financial crises in Mexico and Asia through carefully targeted use of the Exchange Stabilization Fund, and by securing new resources for the International Monetary Fund. The Administration mobilized resources to fight transnational problems, such as the spread of HIV/AIDs and increased threats to the global environment. It improved the security of Americans at home and abroad by protecting U.S. embassies and fighting international terrorism. As a critical element of its effort to pay arrears owed to the United Nations, it successfully concluded negotiations to establish a new scale of assessments for United Nations dues that will reduce the U.S. share of the UN budget and result in substantial future budgetary savings. Finally, the Administration responded forcefully to natural disasters from Central America to sub-Saharan Africa and manmade conflicts from Bosnia and Kosovo to Indonesia, and provided critical support to countries attempting the difficult transition to democracy. As a result of these policies and programs, the United States continues to play the preeminent role in the post-Cold War world.

National Security: Since 1993, the Administration has ensured the Nation's security by sustaining a commitment to support the best equipped, best trained, and best prepared fighting force in the world. The Nation's strong military posture provided the foundation which enabled American leadership to promote peace, freedom, and prosperity around the globe. This was demonstrated by our efforts in Bosnia and

Kosovo and through the success of humanitarian and other contingency operations. The Clinton-Gore Administration provided the necessary defense resources to recruit and retain first-rate personnel, maintain a high quality of life for military personnel and their families, enhance military readiness and operational capabilities, fund current contingency operations, and prepare for the future by modernizing weapons systems to maintain the Nation's technological advantage into the 21st Century. The global danger from nuclear weapons and other weapons of mass destruction was reduced by the Administration's efforts to shape the strategic landscape through deterrence, arms control agreements, continued enforcement of UN sanctions on Iraq, and threat reduction assistance programs in Russia and other states of the former Soviet Union. The reliability of the Nation's nuclear stockpile was maintained and advances were made in the cleanup of radioactive waste from fifty years of weapons production. Emphasis was also placed on building awareness of, deterring, and meeting the challenge from emerging unconventional threats such as terrorism and computer attack. The Clinton-Gore Administration's national security efforts in all of these areas has shaped a defense posture well adapted to the post-Cold War world with military forces positioned to meet the challenges of a new century.

A Falling Interest Burden: In 1993, the Administration inherited a large and growing debt, and the prospect of large and growing budget deficits for many years into the future. Net interest outlays had grown from \$14.4 billion (or 1.4 percent of the Gross Domestic Product, or GDP) in 1970 to \$198.7 billion (or 3.0 percent of GDP) in 1993, and were projected to grow still further without a change in policy. Largely as a result of fiscal policy actions under this Administration and the strong economic performance over the past eight years, the long, upward trend for net interest has ended. In dollar terms, net interest began to decline in 1998 with the first balanced budget in recent years. As a percentage of GDP, net interest will fall from 3.0 percent in 1993 to an estimated 2.0 percent in 2001, a reduction of one-third. As a percentage of total outlays, net interest will fall from 14.1 percent in 1993 to 11.2 percent in 2001, free-

ing resources for other purposes. Moreover, the prospect of continuing surpluses implies that net interest outlays will continue to fall toward zero over the next few years. This improvement is one of the most important reasons for the projected long-term stability of the budget, and is a vital foundation for the Nation's preparation for the aging of the population, including the impending retirement of the baby-boom generation.

Management Improvement

The last eight years have seen a dramatic improvement in the management of the Federal Government. The Administration not only balanced the budget and invested in key priorities for the future, but took important steps to help the Government operate more effectively and efficiently. Management functions, such as use of information technology, procurement, financial management, statistics and regulatory reform, are the essentials of governmental operations, whatever an organization's missions or functions may be. Doing them very well rarely garners attention; failing to do them can destroy program and policy effectiveness and public trust as certainly as bad policy decisions or inadequate program implementation. Because the Administration has sought to integrate budget and management, many significant management accomplishments are addressed in the function-by-function chapters that follow (examples include human resources in Chapter 18, "General Government," and energy efficiency in Chapter 5, "Energy"). However, there are also a number of Government-wide efficiencies and improvements that are worth noting.

Information Technology (IT): Over the past eight years, the Administration has emphasized the importance of IT in creating a Government that is more accessible and responsive to citizens. Early efforts focused on the management of specific agency systems—emphasizing off-the-shelf technology, open architecture, and modular development. The bipartisan Clinger-Cohen Act codified Administration policy by tying IT to agency budget and strategic planning decisions, and created the position of Chief Information Officer in each agency. To aid agency implementation of the Clinger-Cohen Act, OMB issued a Memorandum titled "Funding Information Systems

Investments,” commonly referred to as “Rainey Rules”, which established decision criteria to evaluate all major information system investments proposed in the President’s budget.

The Administration’s foremost management objective at the end of the decade was to navigate the year 2000 (Y2K) computer conversion, probably the single largest technology management challenge in history. The Federal Government’s Y2K efforts exceeded all expectations—resulting in a remarkably trouble free roll-over to the year 2000. In addition, under the direction of the President’s Council on Year 2000 Conversion, the Federal Government also worked with the private sector, State and local governments, and international organizations to solve the problem.

The Administration has also focused on other important IT initiatives, including capital planning, computer security, and data sharing. In addition, a Presidential Directive led to specific, major accomplishments in the arena of electronic government. Every agency now offers key information and critical services online, and more are launched each week. Moreover, the Administration is working across agencies to bring transformational change on a Government-wide basis.

In September 2000, the Administration launched *www.firstgov.gov* to provide the public with a single, customer-focused web site, where it can find every Federal Government on-line resource by topic or by agency. Through FirstGov, citizens can search over 27 million web pages in less than one-quarter of a second, 24 hours a day, seven days a week. People can apply for student loans, find new jobs, find the latest health research, and more. The site safeguards communications and transactions with the Government, protects privacy, and leverages a partnership with the private sector to maximize innovation and usability.

Ensuring privacy and security are essential to fully exploiting the potential of the Internet for electronic government and electronic commerce. With respect to privacy, the Administration has worked aggressively, particularly on privacy safeguards for Federal web sites. As a result, virtually all major points of entry to agency web sites provide notice

to visitors about what information is collected, why the information is collected, and what agencies will do with it. With respect to security, the Administration has developed a Public Key Infrastructure that uses digital signatures to ensure that recipients of online information can authenticate senders in a reliable way; this infrastructure also enables the public to use common digital signatures across agencies. Well over 100,000 digital signatures have already been issued, and over the next several months this number will grow substantially.

Procurement: The Administration has reinvented the way the Government buys approximately \$200 billion annually in goods, services, and construction, concentrating on results rather than process, focusing on customer satisfaction, and giving people on the front lines the opportunity to experiment with innovative ways to do their jobs. Working with the Congress, major legislation was enacted that simplified procedures for acquisitions, promoted the use of commercial items, eliminated many record-keeping and reporting requirements, emphasized past performance and best value in contractor selection, and removed barriers in negotiations.

The Administration also introduced other reforms. For example, the Government began using performance-based contracting for services, holding agencies accountable for cost, schedule, and performance of major acquisition programs, and using alternative dispute resolution methods to reduce the number of costly and time-consuming bid protests. Credit cards were introduced allowing Government employees to purchase over 90 percent of all supplies without using contracting offices. Federal supply schedules and multi-agency contracts were established allowing requirements across agencies to be combined and speeding up the acquisition of products and services. Share-in savings contracts were created to allow industry to use its investments and creativity to reduce energy costs and to be paid out of the savings.

Other Government-wide successes include the development of a set of core acquisition system performance measures to enable, for the first time, comprehensive Government-wide and agency assessments of progress

toward providing best value to taxpayers. In addition, the Administration has established *www.fedbizopps.gov*, a single point of entry to enable all businesses to gain easy access to contracting opportunities; *www.pronet.sba.gov*, to promote small business opportunities; and the GovSales section of *www.financenet.gov*, to provide access to all Government sales of financial assets, real property and personal property.

Financial Management: Over the last eight years, there has been an extraordinary transformation in Federal financial management. Eight years ago, only a few agencies routinely prepared and issued audited financial statements. Now virtually all agencies issue annual audited financial statements and more than half of the 24 largest agencies received clean audits in 1999, the fourth year of such reporting. (By comparison, it took the States over a decade to achieve this result.) Similarly, there was no Government-wide audited financial statement in the early 1990's; this year marks the third year of an annual Government-wide financial statement. In 1993, the Federal financial community did not have a set of Government-wide accounting standards. The creation of the Federal Accounting Standards Advisory Board (FASAB) led to the development and issuance of a complete set of basic accounting standards and concepts in 1996. In October 1999, as validation of these efforts, the American Institute of Certified Public Accountants recognized FASAB standards as "generally accepted accounting principles". Recognition of FASAB standards by an independent, internationally-recognized audit standard-setting authority marks a significant milestone. After several years of pilot activities, agencies now can combine financial and performance reports, providing for the first time a clear picture of what agencies accomplish and at what cost.

Agencies have also begun to install and use modern, integrated financial systems that combine accounting requirements with program performance, allowing for improved reporting and accountability. These systems are being designed to integrate accounting requirements with program management needs, allowing for more timely and useful information to managers. For example, CFOs are maximizing the use of the Internet for

credit and debt management programs to conduct secure, private, and authenticated Internet transactions for debt management by using electronic signature technology, including digital signatures or Personal Identification Numbers (PINs), where appropriate. In the Federal grants area, OMB and agencies are making it easier for State, local, and Tribal governments and non-profit organizations to apply for Federal grants and, as recipients, report their progress. The Federal Commons initiative—a project to establish a single point of entry online for Federal grant programs—is being introduced across Federal grant-making agencies.

Regulatory Reform: The Administration has continued its efforts to improve the transparency and analytical bases of the regulatory process. In 1993, the President issued Executive Order No. 12866 setting forth the guiding principles and the process that the Administration would follow in issuing new regulations and reforming existing rules. The Executive Order requires that the agencies fully assess the costs and benefits of all alternatives, including not regulating, and selecting the alternative that maximizes net benefits (unless a statute requires another approach). The Executive Order also requires the agencies to submit their regulations to OMB for review and coordination with other interested agencies before publication. A major emphasis of this program was transparency and openness to the public, including small businesses and State, local and Tribal governments.

On March 22, 2000, OMB issued Guidelines to Standardize Measures of Costs and Benefits and the Format of Accounting Statements. The guidelines lay out the principles and methodology the agencies are to use in estimating and presenting the required cost-benefit analyses of the their regulations. OMB has also submitted to the Congress for the last three years the Report to Congress on the Costs and Benefits of Federal Regulations.

The Administration's efforts to improve regulation have produced significant beneficial results. OMB's Report to The President On the Third Anniversary of Executive Order 12866: More Benefits Fewer Burdens and, for the last three years, the Report to Congress

on the Costs and Benefits of Federal Regulations document some of these improvements.

Statistical Policy and Programs: During the past eight years, significant strides have been taken to improve the Nation's statistics. Most visibly, the 2000 Census was completed on time, under budget, and with higher mail response than that of a decade ago. In addition, the American Community Survey was initiated to provide accurate and up-to-date local area information that will be used by the Federal Government to allocate close to \$200 billion in Federal funds annually.

Obsolete standards that underlie our key economic and demographic statistics were revised. In cooperation with Canada and Mexico, the 1997 North American Industry Classification System (NAICS), based on how an establishment produces its products, was developed and introduced to replace the Standard Industrial Classification, and an enhancement of NAICS for 2002 was completed. The Standard Occupational Classification, which will be used by all Federal agencies that publish occupational data, was completed in 2000. Major revisions to the Government-wide Standards for Maintaining, Collecting, and Presenting Federal Data on Race and Ethnicity were issued in 1997, and implementation guidance based on additional research and analyses subsequently was issued for public comment. At the end of 2000, the Administration adopted simplified and expanded standards for defining Metropolitan and Micropolitan Statistical Areas for use in collecting, tabulating, and publishing Federal statistics.

In 1997, OMB issued the Federal Statistical Confidentiality Order to ensure that statistical information will not be used in any Government actions against respondents. The Administration also gained bipartisan support for its legislative proposal to harmonize statutory protections for the confidentiality of statistical data and permit sharing of data for statistical purposes among designated agencies. These efforts are designed to bolster the confidentiality afforded statistical information provided by the public.

To improve the relevance, accuracy, and timeliness of the Nation's key statistical indicators, a number of critical programs were

improved. These efforts included: formulating a strategic plan for maintaining and improving the National Income and Product Accounts; revising the Consumer Price Index (CPI) to reflect changes in the geographic distribution of the population and in consumers' buying habits and make the CPI a more accurate and reliable reflection of economic conditions; expanding service sector output, price, and productivity measures; and integrating health surveys to capture changes in health care and welfare.

Finally, two reports that bring together key statistics from a variety of agencies were inaugurated—America's Children: Key National Indicators of Well-Being, an annual monitoring report on the status of America's children, and Older Americans: Key Indicators of Well-Being, a periodic Federal report that describes the status of the Nation's older population; in addition, more than 100 agencies across the Government are now partners in FedStats (www.fedstats.gov), the one-stop-shopping Internet service that greatly facilitates access for users of Federal statistics.

Program Performance

The last eight years have also seen a much-needed emphasis on program performance for analyzing and funding Federal programs, through this Administration's commitment to the Government Performance and Results Act (GPRA) of 1993. This legislation was complemented by the Administration's National Performance Review initiative, which was announced in September 1993 and led by Vice President Gore. This effort later became the National Partnership for Reinventing Government. Agencies continue to improve the quality and scope of their performance data, and this information is increasingly important in budget decisions, program management, and organizational accountability.

Prior to 1993, very few Federal agencies had ever prepared long-range plans; their performance measures usually were limited to workload, and hidden from public view; and reporting on what programs actually accomplished was rare. By the end of 2000, all 14 Cabinet departments and about 85 independent agencies had prepared two cycles of strategic plans, which are prepared every

three years, and four annual plans; and had completed the first set of annual reports that compare actual performance against goals set in the annual plans. Collectively, these plans and reports set measurable goals and objectives for every Government function and major program. All plans and reports produced by agencies under GPRA are sent to the Congress, and are available to the public.

In 1993, the Administration initiated the National Performance Review, an eight-year effort that focused on creating a Government that works better, costs less, and gets results that Americans care about. This effort has streamlined the Government work force, eliminated obsolete programs and agencies, empowered its employees to cut red tape, and used partnerships to get results. The payoff included:

- elimination of 250 obsolete programs (such as the Tea Tasting Board) and agencies (like the Interstate Commerce Commission);
- a reduction of 377,000 employees during the course of the Administration, resulting in the smallest work force since the Eisenhower years;
- the creation of more than 4,000 customer service standards, and the use of private-sector customer satisfaction measures, which now show the Federal Government is almost equal to the service sector in satisfaction levels;
- the use of more than 350 reinvention labs to test innovations and more than 850 labor-management partnerships covering two-thirds of the work force;
- a reduction of more than 640,000 pages of internal rules; and,
- partnerships, such as one between EPA and the 1,300 companies in the toxic chemical industry, which reduced emissions by 50 percent in four years—faster than if EPA had used the traditional rule-making process.

During this Administration, public trust in the Federal Government nearly doubled in the course of only four years, rising from an all-time low of 21 percent in 1994

to 40 percent when last measured in 1998 by the University of Michigan.

The performance of the economy, the increased emphasis on performance in Government programs, and the achievements discussed in the individual function-by-function chapters that follow demonstrate that the American public can be proud of its Government's performance over the past eight years.

THE FUNCTION-BY-FUNCTION CHAPTERS

Presentations by “budget function” are a result of long-standing custom and legislation. The functions are categories that emphasize what the Federal Government seeks to accomplish, rather than the agency conducting the activity. The functions are designed to inform the American people about the ultimate purpose of the spending according to broad categories. The function categories are also used by the Congress in its review and analysis of the budget.

Table 1–1 and the tables at the beginning of each chapter present data by function for 1993, an estimate for 2001, and the corresponding increase or decrease. Table 1–1 displays a category for allowances, which includes two items for 2001. The first allowance is for a 0.22 percent across-the-board reduction required by law in discretionary budget authority for agencies other than the Department of Defense. The reduction for the Department of Defense is included in the estimate for the National Defense function. The second allowance is for mandatory outlays and reflects legislation to compensate non-Social Security beneficiaries for the loss in benefits caused by shortfalls in cost-of-living increases due to an error in the calculation of the CPI in 1999. The adjustment for Social Security is included in the Social Security function.

The tables display data for the following Federal resources:

Discretionary Budget Authority: The Budget Enforcement Act (BEA) of 1990 defines discretionary budget authority as spending authority controlled by annual appropriations acts. Most funding for Federal agencies and some grants to State and local governments

are discretionary. The BEA limits the amount of discretionary budget authority that can be appropriated for a fiscal year. In aggregate, this spending represents about one-third of total Government spending.

Mandatory Outlays: The BEA defines mandatory outlays as those controlled by laws other than annual appropriations acts. Mandatory outlays are primarily for benefit programs for individuals, such as Medicare and Medicaid. Mandatory outlays, including outlays for net interest, make up about two-thirds of total Government spending. Unlike discretionary spending, the BEA does not limit the amount of mandatory outlays. Instead, the Act requires that legislated changes for mandatory outlays and receipts combined cannot increase the deficit or reduce the surplus.

Credit Activity: The credit data include direct loan disbursements and guaranteed loans.

Direct loan disbursements. Direct loan disbursements are disbursements by the Government to a non-Federal borrower that require repayment with interest. The amounts shown in the tables do not include repayments. The largest categories of direct loan disbursements are by the Department of Agriculture to assist farmers, and by the Department of Education to assist students attending higher education.

Guaranteed loans. Guaranteed loans are loan disbursements made by a non-Federal entity (e.g., a private bank) where the Government guarantees repayment of all or part of the principal or interest. The largest categories of guaranteed loans are to increase

homeownership and to help low-income families afford suitable housing. Most guaranteed loans are classified in the function chapters for Commerce and Housing Credit, and for Veterans Benefits and Services.

Tax Expenditures: Tax expenditures are revenue losses due to the preferential provisions of the Federal tax laws, such as special exclusions, exemptions, deductions, credits, deferrals, or tax rates. They are alternatives to other policy instruments, such as spending or regulatory programs, as means of achieving Federal policy goals. Because of interactions across provisions, the estimates are only rough approximations of the total revenue loss for each function and for the Federal Government. Most tax expenditures are classified in the Commerce and Housing Credit function and the Income Security function.

In 1993, this Administration achieved a major expansion of the Earned Income Tax Credit, which reduces taxes for working families. The Administration also achieved a child care tax credit of \$500 per child for low- and middle-income families in the BBA of 1997. The Act also added significant tax expenditures for education, including the Hope and Lifetime Learning credits and Educational Individual Retirement Accounts (IRAs), and expanded retirement incentives by increasing traditional IRA limits and adding Roth IRAs. Capital gains received greater preferences, and most gains on owner-occupied home sales were exempted from tax. There were also numerous other changes that affected health care, energy, community development, science and technology, and other functional areas.

Table 1-1. Federal Resources by Function
(In billions of dollars)

Function	1993 Actual	2001 Estimate	Change: 1993-2001
NATIONAL DEFENSE:			
Spending:			
Discretionary budget authority	276.1	311.0	34.9
Mandatory outlays	-1.3	-0.4	0.9
Credit Activity:			
Direct loan disbursements		*	*
Guaranteed loans		*	*
Tax expenditures	2.1	2.2	*
INTERNATIONAL AFFAIRS:			
Spending:			
Discretionary budget authority ¹	21.2	22.7	1.5
Mandatory outlays	-4.3	-8.8	-4.5
Credit Activity:			
Direct loan disbursements	1.9	2.9	0.9
Guaranteed loans	9.5	11.1	1.6
Tax expenditures	4.5	18.1	13.6
GENERAL SCIENCE, SPACE, AND TECH- NOLOGY:			
Spending:			
Discretionary budget authority	17.2	20.8	3.6
Mandatory outlays	*	0.1	0.1
Tax expenditures	3.3	7.7	4.4
ENERGY:			
Spending:			
Discretionary budget authority	5.8	3.1	-2.7
Mandatory outlays	-1.2	-3.6	-2.4
Credit Activity:			
Direct loan disbursements	1.5	1.9	0.4
Guaranteed loans	*	*	*
Tax expenditures	2.4	2.1	-0.3
NATURAL RESOURCES AND ENVIRONMENT:			
Spending:			
Discretionary budget authority	21.4	28.8	7.4
Mandatory outlays	0.2	0.2	—*
Credit Activity:			
Direct loan disbursements	*	*	*
Tax expenditures	1.6	1.6	—*
AGRICULTURE:			
Spending:			
Discretionary budget authority	4.3	4.8	0.5
Mandatory outlays	16.1	20.4	4.2
Credit Activity:			
Direct loan disbursements	11.1	10.9	-0.3
Guaranteed loans	4.6	6.5	1.9
Tax expenditures	0.3	1.1	0.8
COMMERCE AND HOUSING CREDIT:			
Spending:			
Discretionary budget authority	4.1	2.9	-1.2
Mandatory outlays	-25.6	3.0	28.5
Credit Activity:			
Direct loan disbursements	5.0	1.7	-3.3
Guaranteed loans	79.4	229.6	150.2
Tax expenditures	160.0	254.7	94.6

**Table 1–1. Federal Resources by Function—
Continued**
(In billions of dollars)

Function	1993 Actual	2001 Estimate	Change: 1993–2001
TRANSPORTATION:			
Spending:			
Discretionary budget authority	14.0	19.1	5.1
Obligation limitation	20.4	38.5	18.1
Mandatory outlays	1.7	2.2	0.4
Credit Activity:			
Direct loan disbursements	*	0.7	0.6
Guaranteed loans	0.5	0.5
Tax expenditures	1.8	2.2	0.4
COMMUNITY AND REGIONAL DEVELOPMENT:			
Spending:			
Discretionary budget authority	9.6	11.0	1.4
Mandatory outlays	0.8	–0.7	–1.4
Credit Activity:			
Direct loan disbursements	2.4	2.3	–0.1
Guaranteed loans	0.3	3.5	3.2
Tax expenditures	0.9	1.4	0.6
EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES:			
Spending:			
Discretionary budget authority	38.2	61.1	22.9
Mandatory outlays	13.5	10.7	–2.8
Credit Activity:			
Direct loan disbursements	2.7	19.1	16.4
Guaranteed loans	14.8	28.2	13.5
Tax expenditures	21.9	59.5	37.6
HEALTH:			
Spending:			
Discretionary budget authority	20.7	38.9	18.2
Mandatory outlays	79.8	138.9	59.1
Credit Activity:			
Direct loan disbursements	0.1	–0.1
Guaranteed loans	0.3	*	–0.3
Tax expenditures	53.3	99.8	46.5
MEDICARE:			
Spending:			
Discretionary budget authority	2.8	3.4	0.5
Mandatory outlays	127.9	218.8	90.9
INCOME SECURITY:			
Spending:			
Discretionary budget authority	31.9	39.5	7.6
Mandatory outlays	175.9	213.0	37.1
Credit Activity:			
Direct loan disbursements	0.1	*	–0.1
Guaranteed loans	0.1	0.1
Tax expenditures	74.2	131.9	57.8
SOCIAL SECURITY:			
Spending:			
Discretionary budget authority	2.6	3.4	0.8
Mandatory outlays	302.0	431.4	129.4
Tax expenditures	23.7	26.0	2.3

**Table 1-1. Federal Resources by Function—
Continued**
(In billions of dollars)

Function	1993 Actual	2001 Estimate	Change: 1993–2001
VETERANS BENEFITS AND SERVICES:			
Spending:			
Discretionary budget authority	16.2	22.5	6.3
Mandatory outlays	19.8	22.9	3.1
Credit Activity:			
Direct loan disbursements	2.2	1.7	–0.5
Guaranteed loans	35.4	29.5	–5.9
Tax expenditures	2.0	3.5	1.5
ADMINISTRATION OF JUSTICE:			
Spending:			
Discretionary budget authority	14.6	30.0	15.4
Mandatory outlays	0.3	0.7	0.4
GENERAL GOVERNMENT:			
Spending:			
Discretionary budget authority	11.6	14.0	2.4
Mandatory outlays	1.5	2.3	0.7
Credit Activity:			
Direct loan disbursements		*	*
Tax expenditures	37.2	71.3	34.1
NET INTEREST:			
Spending:			
Mandatory outlays	198.7	210.2	11.5
Tax expenditures	1.1	0.5	–0.6
ALLOWANCES:			
Spending:			
Discretionary budget authority		–0.6	–0.6
Mandatory outlays		0.2	0.2
UNDISTRIBUTED OFFSETTING RECEIPTS:			
Spending:			
Mandatory outlays	–37.4	–47.2	–9.8
FEDERAL GOVERNMENT TOTAL:			
Spending:			
Discretionary budget authority	512.5	636.5	124.0
Mandatory outlays	868.5	1,214.2	345.7
Credit Activity:			
Direct loan disbursements	27.1	41.2	14.1
Guaranteed loans	144.3	309.2	164.9
Tax expenditures	390.2	683.3	293.1

* \$50 million or less.

¹ Excludes \$12.1 billion for 1993 for an increase in the U.S. quota at the International Monetary Fund.